UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

MEMORANDUM

From: Joe Lapka
To: Permit file for Cabrillo Port

Date: October 19, 2006
Subject: Meetings with BHP Billiton

This is to document meetings that took place between EPA and BHP Billiton on October 16 and 17, 2006.

October 16, 2006

Time: 3:00 – 4:00 PM EDT
Location: Washington, DC
Participants: Robert Meyers (EPA, OAR); Elliott Zenick, Marilyn Kuray, and Paul Versace (EPA, OGC); Deborah Jordan, Gerardo Rios, Joseph Lapka, Nina Spiegelman, Amy Zimpfer, and Margaret Alkon (EPA, R9 – participated via telephone); Renee Klimczak (BHP); Demetrius McDaniel, Paul Scolese, Sheila Jones (Akin Gump).

Summary of Discussion:
BHP requested the meeting primarily to discuss the timing of the permitting process for the proposed air permit. BHP's current understanding is that the Coast Guard is planning to finalize the EIS in December 2006 and stated its desire to have closure on the permitting process in a similar time frame so the licensing process is not delayed. In the alternative, BHP suggested that EPA write a letter to the Maritime Administration regarding the "permitability" of the facility.

With respect to the permit, EPA informed BHP that it is currently reviewing the public comments received on the proposed permit and had not made a final permit decision. EPA also stated that it does intend to write a letter to the Maritime Administration addressing the project's ability to conform with all applicable provisions of the Clean Air Act and other requirements. EPA informed BHP that the appropriate time to submit such a letter is during the 45-day review period that commences after the last public hearing on

the deepwater port license and that it would not be able to jump ahead of the process laid out in the act.

Another issue discussed at the meeting is the Ventura County Air Pollution Control Board's intent to prepare a formal statement regarding the applicability of Rule 26. BHP learned of the Board's actions the week prior to meeting with EPA. BHP stated that it does not consider the Board's opinion to be legally relevant and asked for EPA's views on the matter. EPA stated that it is in a pre-decisional stage of the permitting process so we are not at liberty to say where we are at on any of the issues concerning the substance of our permit.

Lastly, BHP re-iterated it's previously stated position that the California Coastal Commission does not have jurisdiction to re-visit EPA's permitting decisions in its consistency review of the project.

October 17, 2006

Time: 3:30 – 5:00 PM PDT
Location: San Francisco, CA
Participants: Amy Zimpfer, Joseph Lapka, Margaret Alkon, Laura Yannayon, Ann McPherson, Eugene Bromley, Gary Hess (EPA, R9); Renee Klimczak (BHP); Tom Wood (Stoel Rives).

Summary of Discussion:
BHP requested the meeting with Region 9 to discuss technical and procedural issues regarding the proposed air and water permits (a summary of the discussion regarding the water permit is omitted from this memo as the discussion was not relevant to the air permit).

The first items discussed at the meeting were the written requests for information sent to BHP on October 2 and 13, 2006. EPA stated that that the information requested in the letters is needed to fully evaluate and address the public comments received on the permit. EPA informed BHP that it had received BHP's responses to the October 2 information request but at the time did not need clarification or follow-up information.

Regarding the October 13 letter, BHP stated that it would take approximately 5 months to prepare a response. EPA re-iterated its need for the information identified in the letter and suggested that BHP respond with the information that is readily available and identify the information that requires further research or evaluation on their part. BHP also explained to EPA why it believes SCR is not technically feasible for the submerged combustion vaporizers and why the regasification process it has selected is more efficient than the shell and tube process proposed for projects in the Northeast United States, which include SCR. The technical reasons cited by BHP include the large size of the SCR unit that would be necessary and difficulties associated with the movement of the FSRU as a result of the marine environment. BHP noted that an SRC system for the

SCVs would be much larger than the systems proposed for the Northeast Gateway and Neptune Suez projects. EPA stated that BHP should further explain these issues in writing in its response to our data request and provide documentation to support its arguments.

The last topic discussed was the results form the source tests recently conducted on the two tug boats BHP has proposed to retrofit. EPA informed BHP that the test was not conducted in complete accordance with the approved test procedures and that additional information was needed for EPA to evaluate the test results.

Attachments

The attached presentation was given out to those who attended the October 16 meeting.

Cabrillo Port

Supplying California with Clean, Reliable Natural Gas

CABRILLO PORT

bhpbilliton

October 2, 2006

BHP Billiton Snapshot

- BHP Billiton LNG, Inc., is a Subsidiary of BHP Billiton Ltd., the World's Largest Diversified Resources Company
- 38,000 Employees Working in More Than 110 Operations in Approximately 25 Countries (February '06)
- Market Cap: U.S. $130 Billion (June '06)
- Industry or Near Industry Leader
  - Aluminum
  - Energy Coal and Metallurgical Coal
  - Copper
  - Ferro-Alloys
  - Iron Ore and Titanium Minerals
- Substantial Interest
  - Gas/Liquefied Natural Gas
  - Petroleum
  - Nickel
  - Diamonds
  - Silver

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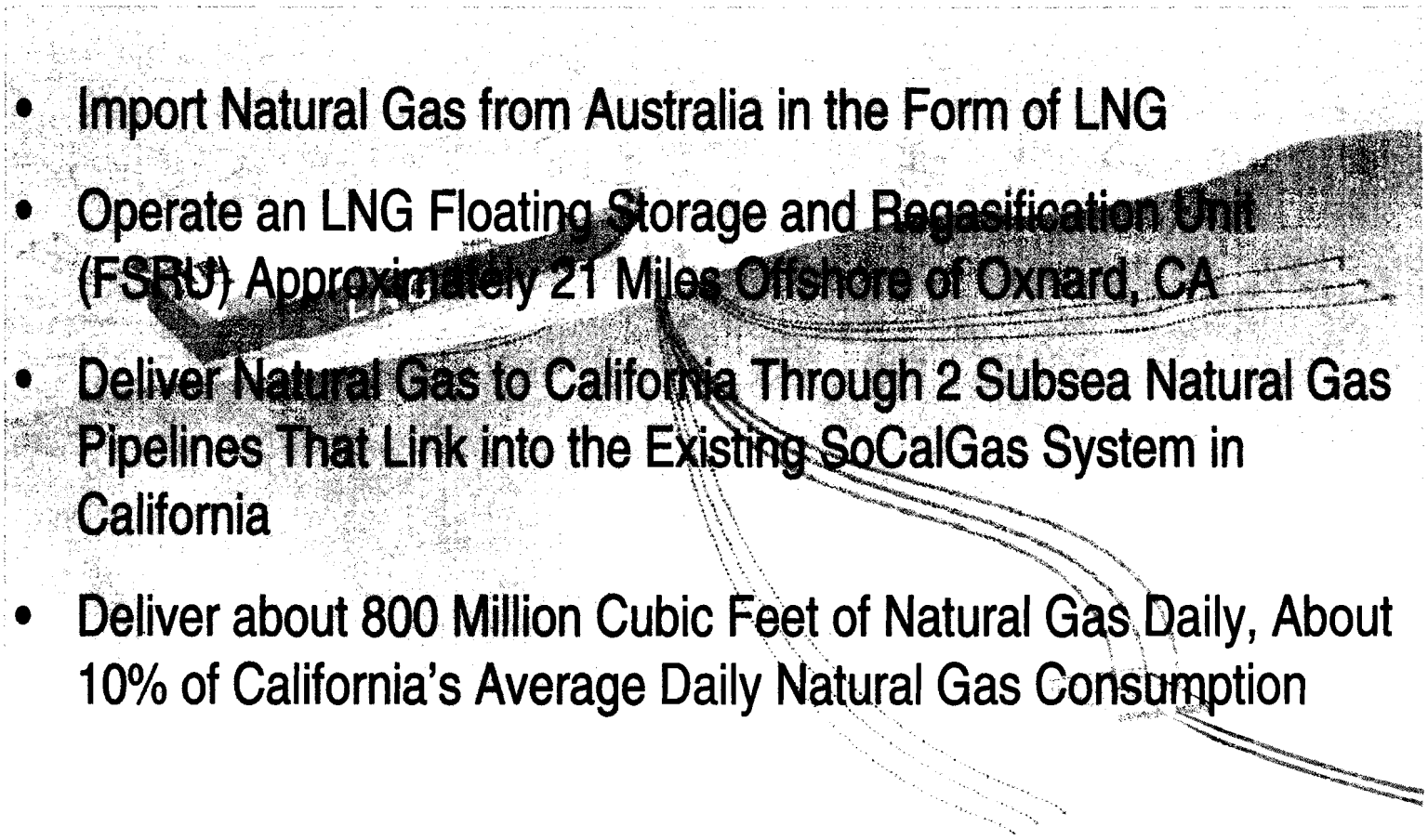
Project Overview



- Import Natural Gas from Australia in the Form of LNG
- Operate an LNG Floating Storage and Regasification Unit (FSRU) Approximately 21 Miles Offshore of Oxnard, CA
- Deliver Natural Gas to California Through 2 Subsea Natural Gas Pipelines That Link into the Existing SoCalGas System in California
- Deliver about 800 Million Cubic Feet of Natural Gas Daily, About 10% of California's Average Daily Natural Gas Consumption

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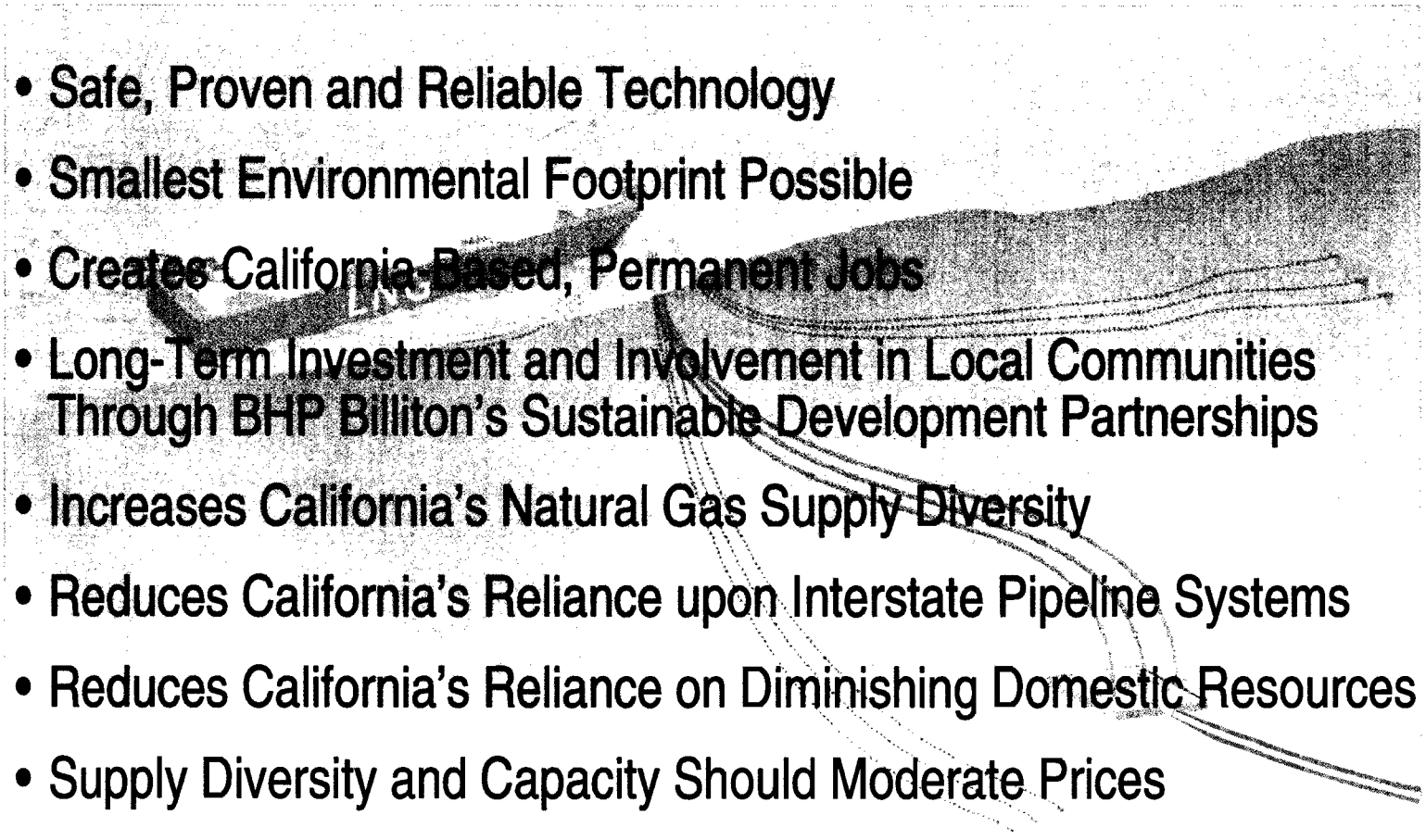
Summary of Project Benefits



- Safe, Proven and Reliable Technology
- Smallest Environmental Footprint Possible
- Creates California-Based, Permanent Jobs
- Long-Term Investment and Involvement in Local Communities Through BHP Billiton's Sustainable Development Partnerships
- Increases California's Natural Gas Supply Diversity
- Reduces California's Reliance upon Interstate Pipeline Systems
- Reduces California's Reliance on Diminishing Domestic Resources
- Supply Diversity and Capacity Should Moderate Prices

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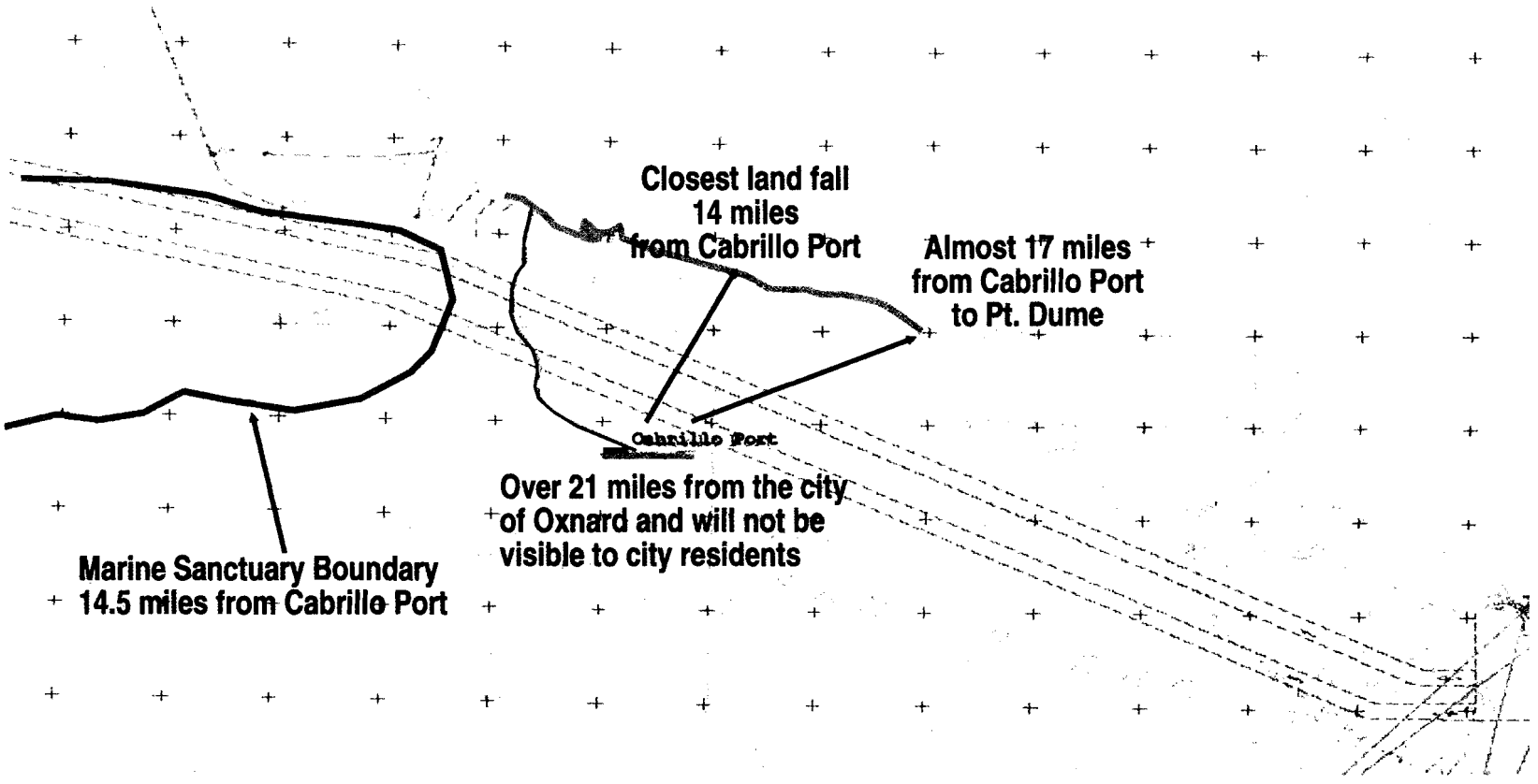
Cabrillo Port Site



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Visual Simulation – Typical Conditions
("Typical Conditions" Prevail 340-325 Days A Year)

CABRILLO PORT

Photo taken from Hwy 1 FSRU is 14 miles offshore

FSRU is not perceptible to the naked eye under typical conditions

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Visual Simulation – Typical Conditions
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CABRILLO PORT

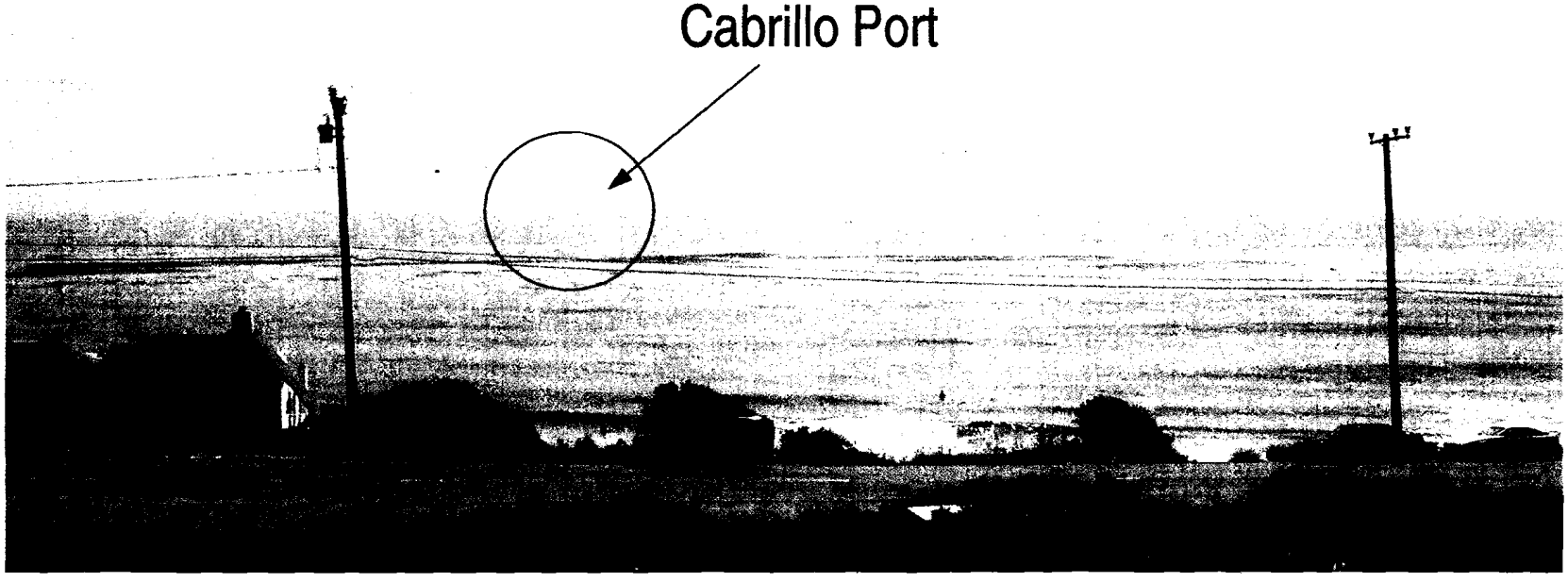

Photo taken from Hwy 1 FSRU is 14 miles offshore

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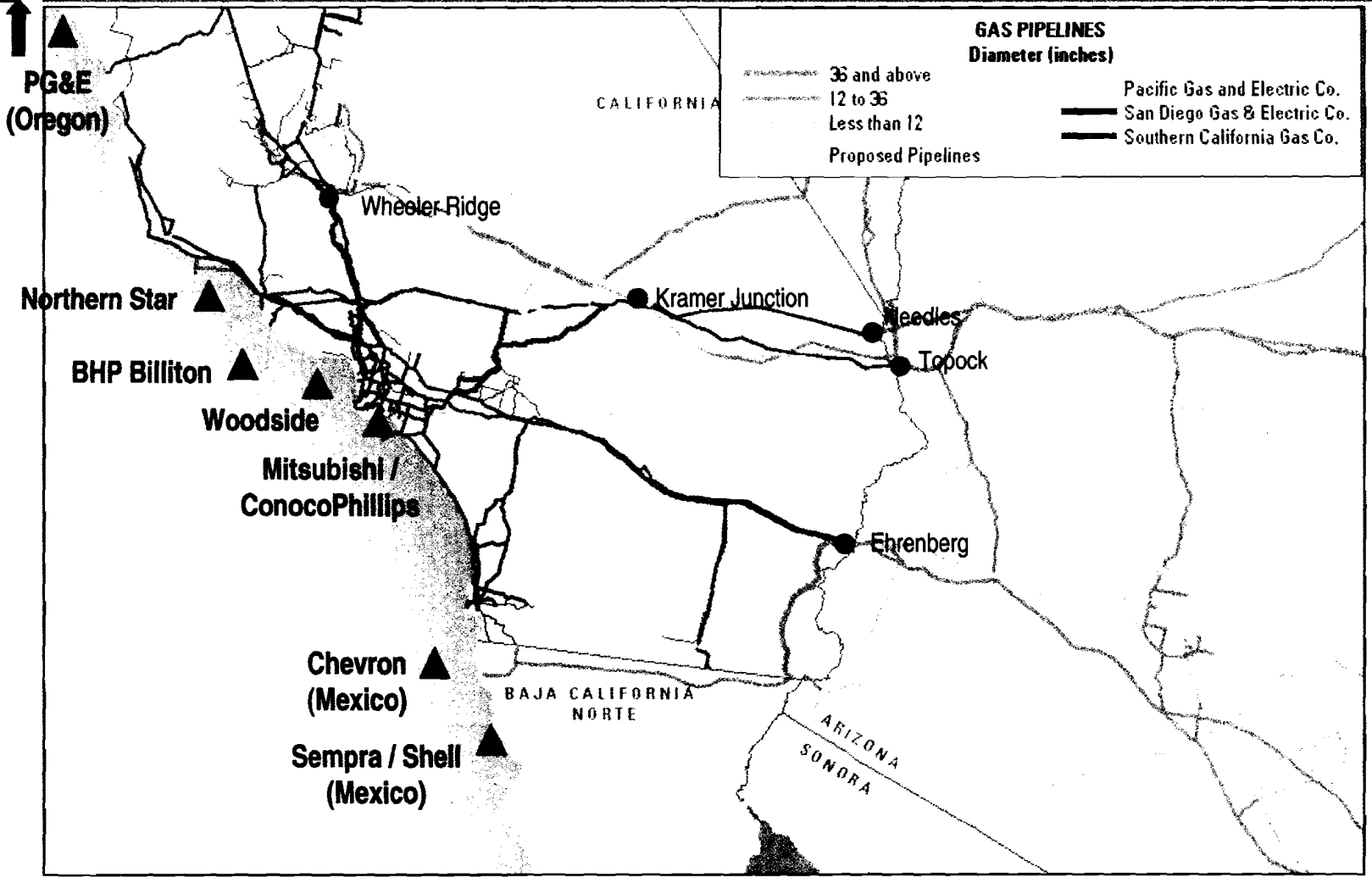
Cabrillo Port, Pipeline Grid & Potential Alternatives



▲ On-Shore Facility ▲ Off-Shore Facility

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Floating Storage & Regasification Unit Safety

CABRILLO PORT

Proven Technologies

- Single Point Mooring
- Side-by-Side LNG Transfer
- Moss Spherical LNG Storage Tanks
- LNG Regasification

- Storage Capacity = 210,000 m3
- Length = 971 ft
- Displacement ~ 210,000 DWT
- Anticipated Normal Throughput = 800 MMSCFD
- Design Throughput = 1,500 MMSCFD
- Permanently Turret Moored in 2,850' wd.

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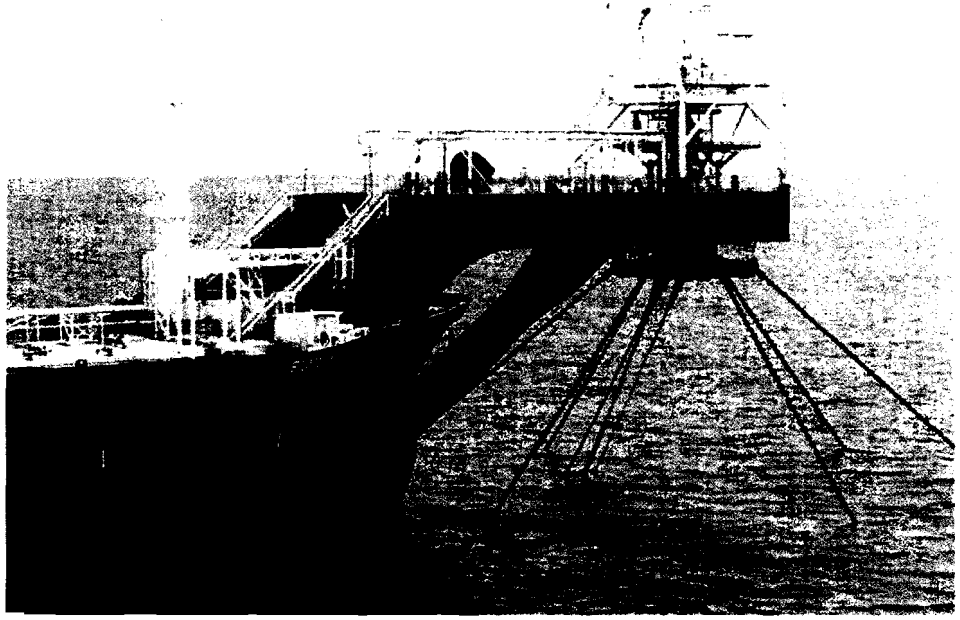
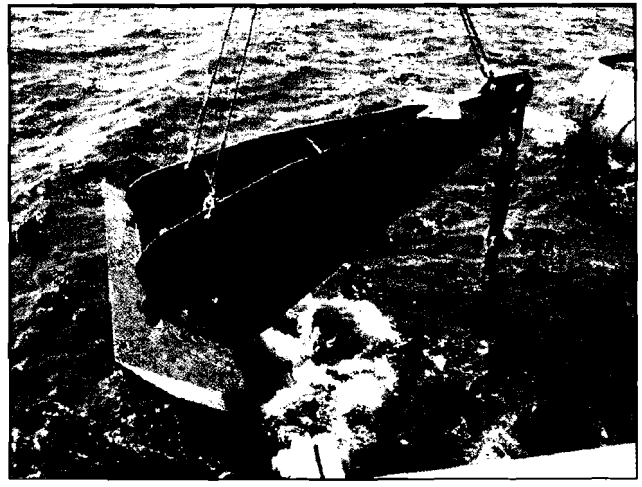
Single Point Mooring Technology

- Over 100 SPM units operate worldwide in 100' to 6,000' of water with transfer swivels up to 5,000psi.
- Cabrillo Port's SPM will operate in 2,850' of water at ~1,500psi, in a moderate sea climate using conventional mooring.



SPM as proposed for Cabrillo Port



Drag Anchor as proposed for Cabrillo Port

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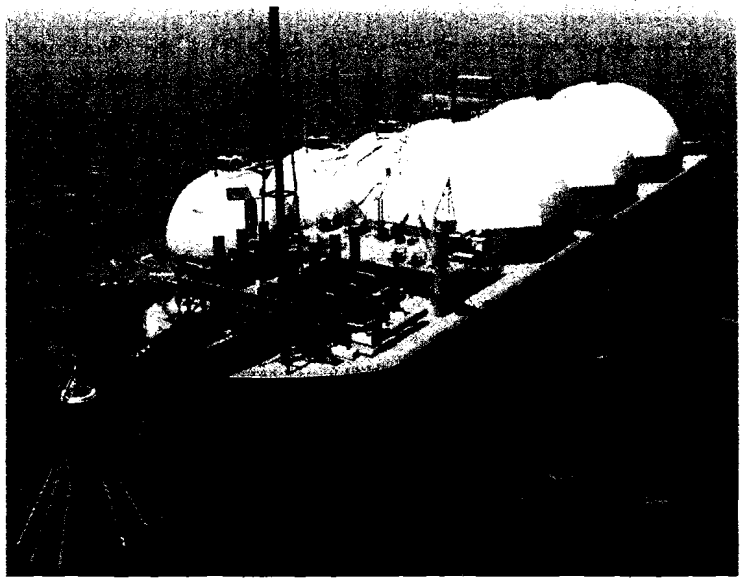
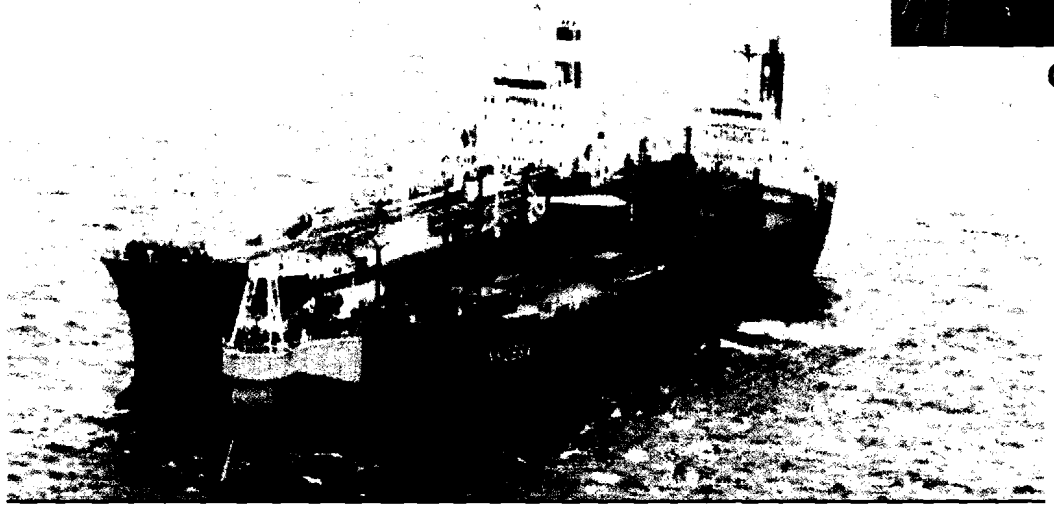
Side-by-Side LNG Transfer Technology

- Side-by-side hydrocarbon and cryogenic liquid transfer from ship-to-ship is routinely used worldwide.
- On average, there will be eight 18-hr LNG transfers per month at Cabrillo Port.



Cabrillo Port Side-by-Side LNG Transfer



Nkossa Side-by-Side LPG Transfer (West Africa)

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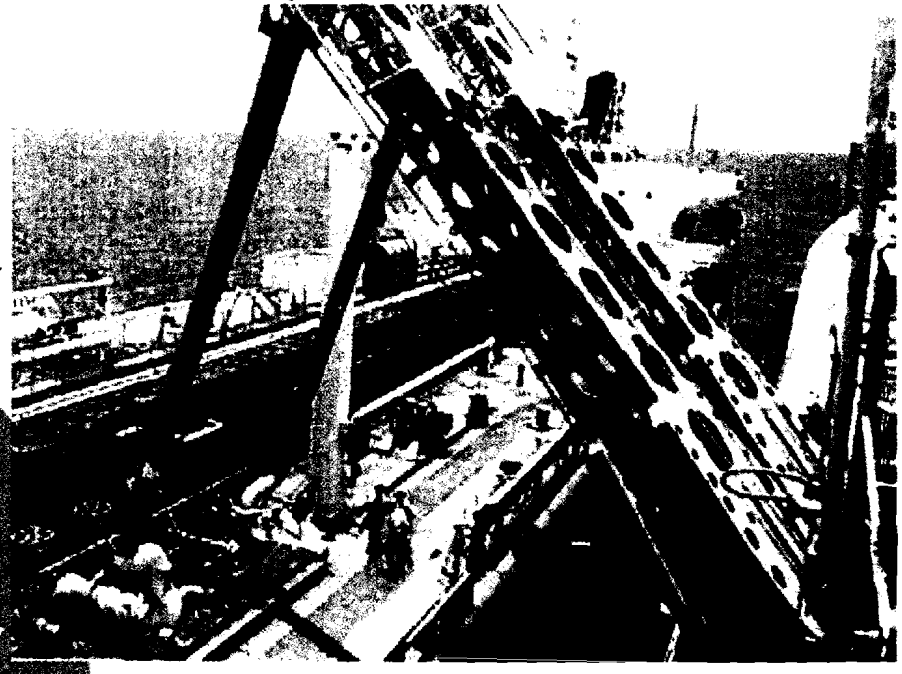
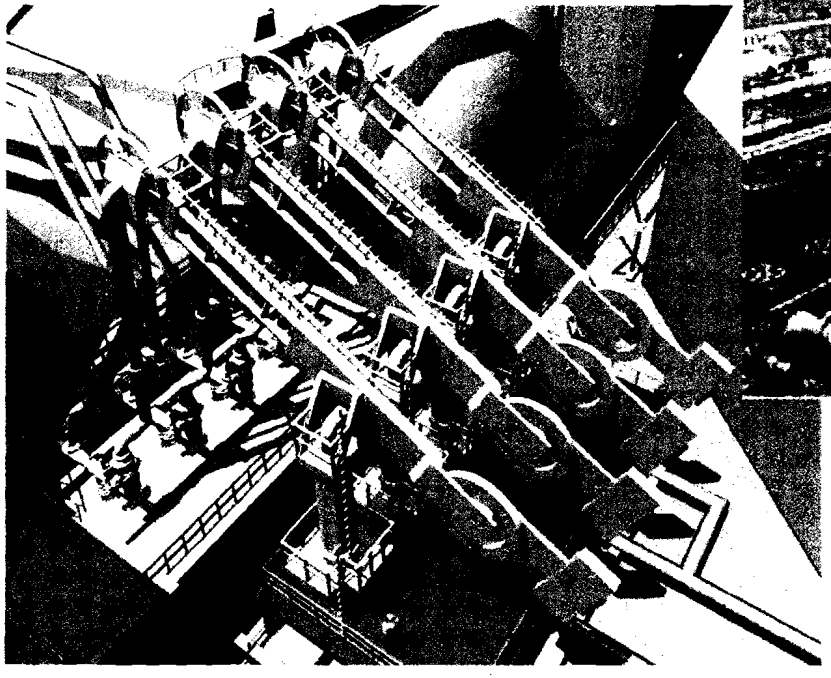
Offshore Cryogenic Loading Arm Technology

CABRILLO PORT

Offshore Side-by-Side LPG Loading Arms
ARCO -- Ardjuna Sakti In service since 1976



Loading arms are used in all LNG terminals worldwide.



Cabrillo Port Side-by-Side LNG Loading Arms

Similarly, loading arms are also used for cryogenic liquid (*e.g.* LNG) ship-to-ship transfer offshore.

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